

Charyl Stockwell Academy

Howell, Michigan

Audited Financial Statements

June 30, 2008

CROSKEY, LANNI & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Charyl Stockwell Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charyl Stockwell Academy, as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Charyl Stockwell Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

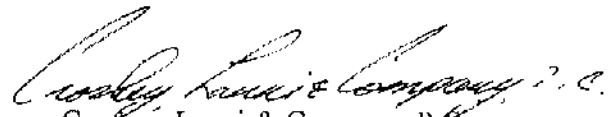
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Charyl Stockwell Academy as of June 30, 2008, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2008 on our consideration of Charyl Stockwell Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through ix, and 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charyl Stockwell Academy's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Croskey, Lanni & Company, P.C.

September 15, 2008
Rochester, Michigan

Charyl Stockwell Academy **Management Discussion and Analysis**

This section of Charyl Stockwell Academy's, "CSA", annual financial report presents our discussion and analysis of the school's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the school's financial statements, which immediately follow this section.

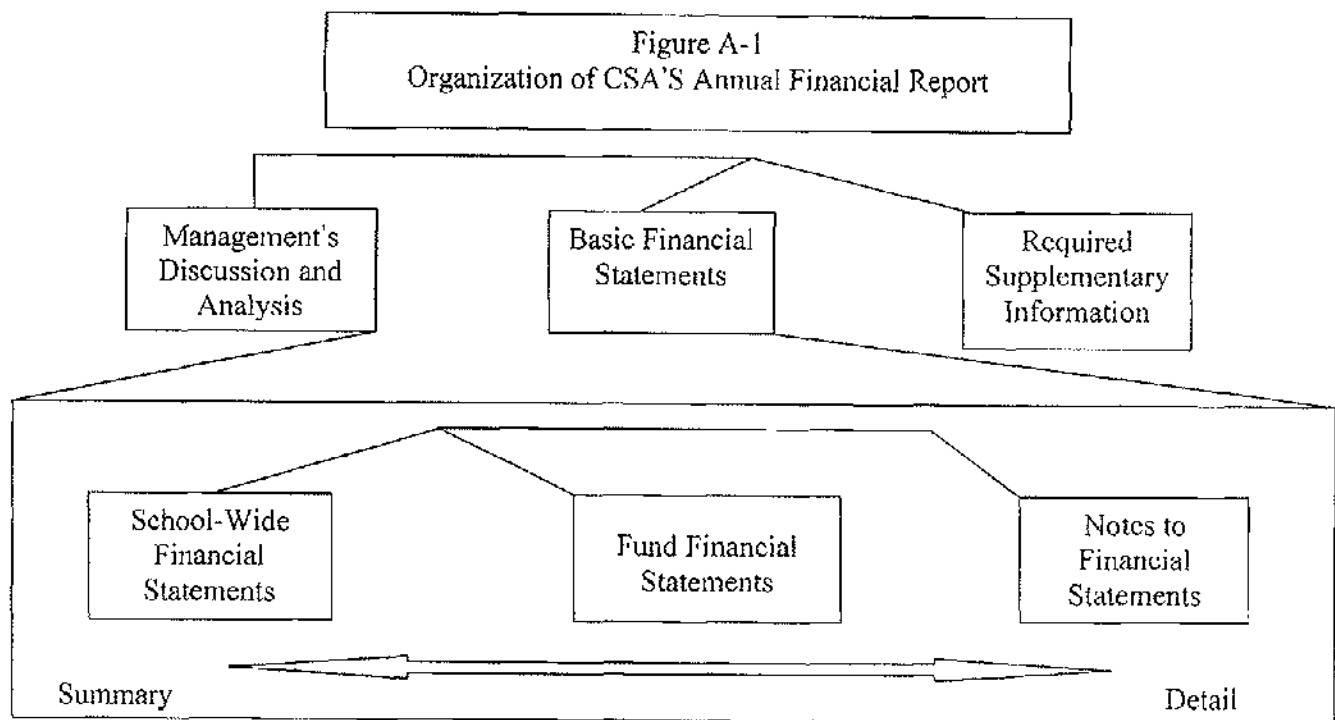
FINANCIAL HIGHLIGHTS

- ❖ The school's revenue from the state increased from \$7,200 to \$7,317 per pupil.
- ❖ Student enrollment increased to 719 as compared to 668 last year.
- ❖ The total cost of instructional programs was \$2,419,686.
- ❖ General fund revenues were at \$6,316,779 while expenses were \$6,240,638.
- ❖ The school has a positive fund balance in General Fund of \$661,792 and in the Debt Service fund of \$4,368,816.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements which include two kinds of statements that present different views of the school:

- The first two statements are school wide financial statements that provide both short-term and long-term information about the school's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the school, reporting the schools operations in more detail.
- The governmental fund statements tell how basic services like regular and special education were financed.
- Fiduciary funds statements provide information about the financial relationships in which the school acts solely as a trustee or agent for the benefit of others. These consist of student activity funds held by the school on behalf of the student group.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the school's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of School-Wide and Fund Financial

Fund Financial Statements			
	School-Wide Statements	Government Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the school's financial statements, including the portion of the schools activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

SCHOOL-WIDE STATEMENTS

The school-wide statements report information about the school as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the school's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school wide statements report the school's net assets and how they have changed. Net assets – the difference between the school's assets and liabilities – are one way to measure the school's financial health or position.

- ❖ Over time, increases or decreases in the school's assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the school, you need to consider additional non-financial factors such as changes in the school's enrollment and the condition of school buildings and other facilities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the school's funds, focusing on its most significant or "major" funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- ❖ *Governmental activities* – Most of the school's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.
- ❖ The school establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

The school has two kinds of funds:

- ❖ *Governmental funds* – Most of the school's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the school's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information with governmental funds statements that explain the relationship (or differences) between them.
- ❖ *Fiduciary funds* – The school is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the school-wide financial statements because the school cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The comparison of current year to prior year financial information is on the following pages. See tables A-3, A-4, and A-5.

The school's financial position is the product of many factors.

School Governmental

The stability of the school's finances is a result of the following measures:

- ❖ A continued increase in enrollment and waiting list for future academic years.
- ❖ Controlled spending to insure it aligns with revenues received from state.

General Fund Budgetary Analysis

Over the course of the year, the school reviewed the annual operating budget several times amending the budget two times. The budget amendments were done to align the budget changes throughout the year. All invoices were paid in a timely matter.

Financial Outlook

Charyl Stockwell Academy's financial forecast continues to be optimistic heading into the 2008/2009 school year.

- ❖ Enrollment continues to grow with an estimated enrollment of 750. There is an increase of potential pupils on the waiting list for subsequent years.
- ❖ Expansion into High School to begin in 2008/2009.

Appendix A

Table A-3
CSA's Net Assets

	2008	2007
Current and other assets	\$ 6,277,612	\$ 6,433,782
Capital assets	10,133,808	10,613,738
Total assets	16,411,420	17,047,520
Long-term debt outstanding	13,102,958	16,260,426
Other liabilities	4,243,865	1,443,605
Total liabilities	17,346,823	17,704,031
Net assets:		
Invested in Capital Assets, Net of Related Debt	(5,590,480)	(5,905,932)
Restricted	4,398,164	4,487,962
Unrestricted	254,913	761,459
Total net assets	\$ (937,403)	\$ (656,511)

Table A-4
Changes in CSA's Net Assets

	2008	2007
Revenues:		
Program revenues:		
Charges for services	\$ 172,208	\$ 354,118
Federal and state operating grants	941,297	652,802
General revenues:		
State aid - unrestricted	5,132,875	4,759,557
Miscellaneous	26,347	24,510
Total revenues	6,272,727	5,790,987
Expenses:		
Instruction	2,011,184	1,817,049
Special Education	408,502	337,950
Support Services	905,524	620,226
General Administration	8,023	26,341
Executive Administration	359,301	325,889
Building Administration	336,263	252,054
Business Support Services	216,686	437,377
Operation and Maint.	644,154	441,683
Data Processing	35,302	31,523
Before and After School Care	217,130	166,564
Interest on long-term debt	1,050,704	1,118,162
Amortization	44,537	44,537
Depreciation	316,309	317,249
Total expenses	6,553,619	5,936,604
Change in net assets	\$ (280,892)	\$ (145,617)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2008, the school had invested \$12,333,909 in capital assets, including buildings, furniture, computers and software. See table A-5 below for a listing of capital assets, and the accumulated depreciation.

Table A-5 CSA's Capital Assets			
	<u>Cost</u>	<u>Accumulated and depreciated</u>	<u>Net book value</u>
Land	\$ 1,472,000	\$ -	\$ 1,472,000
Buildings	9,425,704	1,532,050	7,893,654
Loan Issuance Costs	668,051	129,899	538,152
Equipment	<u>768,154</u>	<u>-</u>	<u>768,154</u>
Total	<u>\$12,333,909</u>	<u>\$ 1,661,949</u>	<u>\$10,671,960</u>

Long-Term Debt

At year end the school had long term debt of \$16,262,440 consisting of certificates of participation, modular loans and capital leases further described in Note 8 to the financial statements.

- The school continued to pay down its debt, retiring \$259,030 of the certificates, modular loans and leases.

FACTORS BEARING ON THE SCHOOL'S FUTURE

- Continuation of positive enrollment trends
- State aid foundations grant stabilization.
- Continued refinement of educational program.
- Development of High School program to be implemented for 2008-2009 school year.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students, parents and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the school's office at:

Charyl Stockwell Academy, 9758 East Highland Road, Howell MI 48843

CHARYL STOCKWELL ACADEMY

STATEMENT OF NET ASSETS

JUNE 30, 2008

See Independent Auditor's Report

ASSETS

Current Assets

Cash and cash equivalents	\$ 89,761
Investments	4,398,164
Accounts receivable	9,642
Due from other governmental units	1,110,114
Prepaid expenses	<u>131,779</u>
Total current assets	5,739,460

Facilities, Furniture and Equipment

At cost less accumulated depreciation of \$1,532,050	10,133,808
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Other Assets

Capitalized loan costs less accumulated amortization of \$129,899	<u>538,152</u>
Total assets	<u>\$ 16,411,420</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 51,494
Notes payable	600,000
Other accrued expenses	434,889
Long-term debt - current portion	<u>3,157,482</u>
Total current liabilities	4,243,865

Long-Term Debt - Long-Term Portion	13,104,958
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Net Assets

Invested in capital assets, net of related debt	(5,590,480)
Restricted for debt service and capital projects	4,398,164
Unrestricted	<u>254,913</u>
Total net assets	<u>(937,403)</u>
Total liabilities and net assets	<u>\$ 16,411,420</u>

See accompanying notes to financial statements

CHARYL STOCKWELL ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

Functions	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Government Type Activities
Elementary school	\$ 2,011,184	\$ -	\$ 6,609	\$ (2,004,575)
Special education	408,502	-	307,766	(100,736)
Student support services	272,505	-	20,683	(251,822)
Improvement of instruction	606,239	-	606,239	-
Educational media	26,780	-	-	(26,780)
General administration	8,023	-	-	(8,023)
Executive administration	359,301	-	-	(359,301)
Building administration	336,263	-	-	(336,263)
Business support services	216,686	-	-	(216,686)
Operations and maintenance	644,154	-	-	(644,154)
Data processing services	35,302	-	-	(35,302)
Custody and care of children	217,130	-	-	(217,130)
Unallocated depreciation	316,309	-	-	(316,309)
Unallocated amortization	44,537	-	-	(44,537)
Unallocated interest	1,050,704	172,208	-	(878,496)
Total primary government	<u>\$ 6,553,619</u>	<u>\$ 172,208</u>	<u>\$ 941,297</u>	<u>(5,440,114)</u>
General Purpose Revenues:				
Loss on disposal of asset				(216,260)
State school aid - unrestricted				5,132,875
Donations				32,840
Miscellaneous				7,317
Student enrichment program				202,450
Total general purpose revenues				<u>5,159,222</u>
Deficiency of revenues over expenses				(280,892)
Net assets, July 1, 2007				<u>(656,511)</u>
Net assets, June 30, 2008				<u>\$ (937,403)</u>

See accompanying notes to financial statements



CHARYL STOCKWELL ACADEMY

COMBINED BALANCE SHEET - ALL FUND TYPES

JUNE 30, 2008

See Independent Auditor's Report

ASSETS

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Cash and cash equivalents	\$ 89,761	\$ -	\$ -
Investments	-	4,368,816	29,348
Accounts receivable	9,642	-	-
Due from other governmental units	1,110,114	-	-
Prepaid expenses	131,779	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,341,296</u>	<u>\$ 4,368,816</u>	<u>\$ 29,348</u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	\$ 51,494	\$ -	\$ -
Notes payable	600,000	-	-
Other accrued expenses	28,010	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	679,504	-	-

Fund Balances

Reserved for debt service	-	4,368,816	-
Reserved for capital projects	-	-	29,348
Unreserved:			
Undesignated	661,792	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,341,296</u>	<u>\$ 4,368,816</u>	<u>\$ 29,348</u>

See accompanying notes to financial statements



CHIARYL STOCKWELL ACADEMY

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES**

JUNE 30, 2008

See Independent Auditor's Report

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balances	\$ 5,059,956
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$11,665,858 and the accumulated depreciation is \$1,532,050.	10,133,808
Intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the asset is \$668,051 and the accumulated amortization is \$129,899.	538,152
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(406,879)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(16,262,440)</u>
Net Assets of Governmental Activities	<u>\$ (937,403)</u>

See accompanying notes to financial statements



CHARYL STOCKWELL ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

	General	Debt Service	Capital Projects
Revenues			
Local sources	\$ 242,607	\$ 172,208	\$ -
State sources	5,301,235	-	-
Federal sources	625,132	-	-
Total governmental fund revenues	6,168,974	172,208	-
Expenditures			
Elementary school	2,011,184	-	-
Special education	408,502	-	-
Student support services	272,505	-	-
Improvement of instruction	606,239	-	-
Educational media	26,780	-	-
General administration	8,023	-	-
Executive administration	359,301	-	-
Building administration	336,265	-	-
Business support services	214,330	2,356	-
Operations and maintenance	641,404	-	2,750
Data processing services	35,302	-	-
Custody and care of children	217,130	-	-
Capital outlay	52,639	-	-
Debt principal and interest	295,574	1,012,358	-
Total governmental fund expenditures	5,485,178	1,014,714	2,750
Excess (deficiency) of revenues over expenditures	683,796	(842,506)	(2,750)
Other Financing Sources (Uses)			
Payment from intermediate school district	147,805	-	-
Operating transfers in	-	741,047	14,411
Operating transfers out	(755,458)	-	-
Total other financing sources (uses)	(607,653)	741,047	14,411
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	76,143	(101,459)	11,661
Fund balance, July 1, 2007	585,649	4,470,275	17,687
Fund balance, June 30, 2008	\$ 661,792	\$ 4,368,816	\$ 29,348

See accompanying notes to financial statements



CHARYL STOCKWELL ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ (13,655)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 52,639	
Loss on disposal of asset	(216,260)	
Depreciation expense	<u>(316,309)</u>	(479,930)

Governmental funds report loan issuance costs as expenditures. However, in the statement of activities, intangible assets are capitalized and the cost is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which loan issuance costs exceeded amortization in the current period.

Amortization expense	(44,537)
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The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Principal payments on long-term debt	<u>257,230</u>
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Change in Net Assets of Governmental Activities	<u>\$ (280,892)</u>
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See accompanying notes to financial statements

CHARYL STOCKWELL ACADEMY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

ASSETS

Cash and cash equivalents	\$ 22,510
Total assets	<u>\$ 22,510</u>

LIABILITIES

Due to student groups	\$ 22,510
Total liabilities	<u>\$ 22,510</u>

See accompanying notes to financial statements



CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of Charyl Stockwell Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academics. The following is a summary of the significant accounting policies:

Reporting Entity

Charyl Stockwell Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on June 5, 1996, and began operation in July 2002.

In June 2006, the Academy entered into a five-year contract with Central Michigan University's Board of Trustees to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Central Michigan University's Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2008 were approximately \$154,000.

In July 2006, the Academy entered into a five year agreement with CS Partners, LLC. Under the terms of this agreement, CS Partners, LLC provides a variety of services including financial management, educational programs and consulting, as well as teacher training. The Academy is obligated to pay CS Partners, LLC a fee of 12% of its total received from the state through the termination of the contract. The total paid for these services amounted to approximately \$410,630 for the year ended June 30, 2008.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operation of financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Academy has elected to specify all of its funds as major.

Basis of Presentation - Fund Accounting

The accounts of the Academy are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories.

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Governmental Funds

A Governmental Fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The General Fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Debt Service Fund - The Debt Service Fund is used to record certain revenue and the payment of interest, principle and other expenditures on long-term debt.

Governmental Funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal year.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and so recognized as revenue in accordance with state law. A major portion of the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon continued qualification for such aid.

CHARYI. STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Receivables

Receivables at June 30, 2008 consist primarily of state school aid due from the State of Michigan. All receivables are expected to be fully collected in July and August of 2008 and are considered current for the purposes of these basic financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is recorded in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy follows the policy of not capitalizing assets with a useful life of less than 1 year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	3 - 15 years
Computers and software	3 - 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - Stewardship, Compliance and Accountability

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. During the year ended June 30, 2008 the budget was amended in a legally permissible manner.

The budget statement (budgetary comparison schedule - all governmental funds) is presented on the combined statement of revenue, expenditures, and fund balances, significant budget overruns are as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund		
Custody and care of children	\$ 190,000	\$ 217,130
Debt principal and interest	271,369	295,576
Debt Service Fund		
Debt principal and interest	744,457	1,012,358

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
 See Independent Auditor's Report

NOTE 3 - Deposits and Investments

As of June 30, 2008, the Academy had the following investments.

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand deposits			\$ 112,271
Total deposits			112,271
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	4,398,164
Total deposits and investments			\$ 4,510,435

The above amounts are reported in the financial statements as follows:

Deposits:	
Cash - Agency Fund	\$ 22,510
Cash - Academy Wide	89,761
Subtotal	112,271
Investments:	
Investments - Debt Service	4,368,816
Investments - Capital Projects	29,348
Subtotal	4,398,164
Total deposits and investments	\$ 4,510,435

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 3 - Deposits and Investments - continued

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the Academy's investments were rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk

The district will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in investment pools which represents 100% of the Academy's total investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$25,127 of the Academy's cash balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

NOTE 4 - Due From Other Governmental Units

Amounts owed from governmental units and other consist of the following:

At risk	\$ 1,528
State aid	935,261
Special education	25,520
Intermediate school district	147,805
Total	<u>\$ 1,110,114</u>

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 5 - Capital Assets and Depreciation

Capital asset activity of the Academy's governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Computers	\$ 461,458	\$ 24,550	\$ -	\$ 486,008
Software	43,349	7,445	-	50,794
Furniture and fixtures	41,413	6,699	-	48,112
Equipment	169,295	13,945	-	183,240
Land	1,472,000	-	-	1,472,000
Building and improvements	9,719,764	-	294,060	9,425,704
Total cost	11,907,279	52,639	294,060	11,665,858
Less accumulated depreciation	1,293,541	316,309	77,800	1,532,050
Undepreciated cost	<u>\$ 10,613,738</u>	<u>\$ (263,670)</u>	<u>\$ 216,260</u>	<u>\$ 10,133,808</u>
Loan issuance costs	\$ 668,051	\$ -	\$ -	\$ 668,051
Less accumulated amortization	85,362	44,537	-	129,899
Net loan issuance costs	<u>\$ 582,689</u>	<u>\$ (44,537)</u>	<u>\$ -</u>	<u>\$ 538,152</u>

Depreciation and amortization expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 - Notes Payable

The Academy has a line of credit from a financial institution in the amount of \$1,200,000. The line of credit was issued to provide the Academy with funds to finance school operations at the beginning of the school year. The loan is payable \$200,000 per month, plus interest at 5% on the remaining balance through September, 2008. The balance of the loan as of June 30, 2008 is \$600,000.

Notes payable as of June 30, 2008 can be summarized as follows:

	Balance July 1, 2007	Additions	Retirements and Payments	Balance June 30, 2008
Loan 1	\$ 200,000	\$ -	\$ 200,000	\$ -
Loan 2	450,000	-	450,000	-
Loan 3	-	1,200,000	600,000	600,000
Total notes payable	<u>\$ 650,000</u>	<u>\$ 1,200,000</u>	<u>\$ 1,250,000</u>	<u>\$ 600,000</u>

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 7 - Other Accrued Expenses

Amounts accrued at year end consist of the following:

	<u>Net Assets</u>	<u>Funds</u>
University oversight	\$ 28,010	\$ 28,010
Interest	406,879	-
Total accrued expenses	<u>\$ 434,889</u>	<u>\$ 28,010</u>

NOTE 8 - Long-Term Obligations Payable

The following is a summary of long-term obligations for the Academy during the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements & Payments</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Business loan 1	\$ 403,485	\$ -	\$ 101,296	\$ 302,189	\$ 107,636
Business loan 2	50,747	-	15,588	35,159	16,880
Business loan 3	159,240	-	34,354	124,886	37,760
Capital lease 1	37,148	-	22,764	14,384	14,384
Capital lease 2	40,850	-	25,028	15,822	15,822
Certificates of participation	<u>15,830,000</u>	<u>-</u>	<u>60,000</u>	<u>15,770,000</u>	<u>2,965,000</u>
Total long-term debt	<u>\$ 16,521,470</u>	<u>\$ -</u>	<u>\$ 259,030</u>	<u>\$ 16,262,440</u>	<u>\$ 3,157,482</u>

The Academy has obtained a business loan from an unrelated third party bearing interest at 6%, and payable in monthly installments of \$10,254 through February 2011.

The Academy has obtained two additional business loans from an unrelated third party bearing interest at .8% above the bank's prime rate, adjusted monthly, and payable in monthly installments of \$1,590 and \$4,000 through June 2010 and June 2011, respectively.

CHARYL STOCKWELL ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 8 - Long-Term Obligations Payable - Continued

The Academy has issued certificates of participation that require semi-annual interest payments at 5.7%. The interest payments are due on November 1 and May 1 and an annual payment of principal of approximately \$60,000 is due on May 1, 2008. The certificates are collateralized by the Academy's facility as well as a pledge for 20% of state school aid payments and funds are held in trust for debt service.

Following are maturities of long-term obligations for principal and interest for the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2009	\$ 3,157,482	\$ 976,912
2010	174,150	760,435
2011	125,808	748,678
2012	-	744,458
2013	235,000	744,458
2014 - 2018	1,390,000	3,518,562
2019 - 2023	1,855,000	3,072,475
2024 - 2028	2,470,000	2,471,970
2029 - 2033	3,315,000	1,654,360
2034 - 2036	3,540,000	484,095

NOTE 9 - Capital Lease Agreements

The Academy is the lessee of various classroom and office equipment held under capital lease agreements. The leases are collateralized by the equipment, bear interest at 10% and expire during the year ended June 30, 2009.

Minimum future lease agreements under capital leases as of June 30, 2008 for each of the next year:

2009	\$ 30,700
Less amount representing interest	494
Present value of minimum lease payments	<u>\$ 30,206</u>

NOTE 10 - Retirement Plan

All leased employees of the Academy are eligible to participate in a retirement plan established by the management company which qualifies under the provisions of section 401(k). Eligible employees may contribute up to 15% of their salaries under the terms of this plan. The Academy's contribution is discretionary. The Academy's contributions to the plan for the year ended June 30, 2008 amounted to \$157,385.

CHARYL STOCKWELL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 11 - Interfund Transfers

During the normal course of the school year the Academy transferred amounts between its three major funds as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfer In	\$ -	\$ 741,047	\$ 14,412
Transfer Out	755,458	-	-

As stipulated by the Academy's Certificates of Participation as described in Note 8, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion needed for debt service and returns the remainder to the Academy. The transfer of these amounts account for the interfund transactions of the Academy.

NOTE 12 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since the Academy's inception.



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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors
of Charyl Stockwell Academy

We have audited the accompanying basic financial statements of Charyl Stockwell Academy for the year ended June 30, 2008. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Charyl Stockwell Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


Croskey, Lanni & Company, P.C.

September 15, 2008
Rochester, Michigan

CHARYL STOCKWELL ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - ALL GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	General Fund		
	Original Budget	Final Budget	Actual
Revenues			
Local sources	\$ 164,500	\$ 229,800	\$ 242,607
State sources	5,149,093	5,301,234	5,301,235
Federal sources	557,051	810,282	625,132
Total governmental fund revenues	5,870,644	6,341,316	6,168,974
Expenditures			
Elementary school	2,000,032	2,051,610	2,011,184
Special education	326,223	412,110	408,502
Student support services	246,577	286,773	272,505
Improvement of instruction	552,051	716,487	606,239
Educational media	17,530	26,780	26,780
General administration	29,700	15,700	8,023
Executive administration	344,223	359,301	359,301
Building administration	300,474	382,722	336,265
Business support services	435,586	244,959	214,330
Operations and maintenance	462,005	659,959	641,404
Data processing services	40,000	57,500	35,302
Custody and care of children	135,000	190,000	217,130
Capital outlay	30,000	52,639	52,639
Debt principal and interest	286,369	271,369	295,574
Total governmental fund expenditures	5,205,770	5,727,909	5,485,178
Excess (deficiency) of revenues over expenditures	664,874	613,407	683,796
Other Financing Sources (Uses)			
Payment from intermediate school district	-	-	147,805
Operating transfers in	-	-	-
Operating transfers out	(714,457)	(809,457)	(755,458)
Total other financing sources (uses)	(714,457)	(809,457)	(607,653)
Excess of revenues and other financing sources over expenditures and other uses	(49,583)	(196,050)	76,143
Fund balance, July 1, 2007	585,649	585,649	585,649
Fund balance, June 30, 2008	\$ 536,066	\$ 389,599	\$ 661,792

Debt Service Fund			Capital Projects Fund		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
\$ -	\$ -	\$ 172,208	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	172,208	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,356	2,356	-	-	-
-	-	-	-	2,750	2,750
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
744,457	744,457	1,012,358	-	-	-
744,457	746,813	1,014,714	-	2,750	2,750
(744,457)	(746,813)	(842,506)	-	(2,750)	(2,750)
-	-	-	-	-	-
744,457	746,813	741,047	-	2,750	14,411
-	-	-	-	-	-
744,457	746,813	741,047	-	2,750	14,411
-	-	(101,459)	-	-	11,661
4,470,275	4,470,275	4,470,275	17,687	17,687	17,687
\$ 4,470,275	\$ 4,470,275	\$ 4,368,816	\$ 17,687	\$ 17,687	\$ 29,348

CHARYL STOCKWELL ACADEMY

SCHEDULE OF REVENUES - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	General	Debt Service	Capital Projects
Local Sources			
Donations	\$ 32,840	\$ -	\$ -
Earnings on investment	-	172,208	-
Student enrichment program	202,450	-	-
Miscellaneous	7,317	-	-
Total local sources	242,607	172,208	-
State Sources			
At risk	8,399	-	-
Special education	159,961	-	-
State aid	5,132,875	-	-
Total state sources	5,301,235	-	-
Federal Sources			
Character education grant	612,848	-	-
Safe and drug free grant	894	-	-
Service provider self review grant	4,000	-	-
Title IIA	7,254	-	-
Title V	136	-	-
Total federal sources	625,132	-	-
Total governmental fund revenues	\$ 6,168,974	\$ 172,208	\$ -

CHARYL STOCKWELL ACADEMY

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	General	Debt Service	Capital Projects
Elementary School			
Purchased services - salaries	\$ 1,407,029	\$ -	\$ -
Purchased services - benefits	365,174	-	-
Purchased services - payroll taxes	113,342	-	-
Dues and fees	4,496	-	-
Equipment lease	32,815	-	-
Teaching supplies and textbooks	65,731	-	-
Capital outlay - nondepreciable	22,597	-	-
Total elementary school	2,011,184	-	-
Special Education			
Purchased services - salaries	216,852	-	-
Purchased services - benefits	69,158	-	-
Purchased services - payroll taxes	15,306	-	-
Outside services	102,975	-	-
Teaching supplies	4,211	-	-
Total special education	408,502	-	-
Student Support Services			
Purchased services - salaries	29,834	-	-
Purchased services - benefits	25,116	-	-
Purchased services - taxes	9,293	-	-
Outside services	205,951	-	-
Travel	2,311	-	-
Total student support services	272,505	-	-
Improvement of Instruction			
Purchased services - salaries	144,571	-	-
Purchased services - benefits	58,290	-	-
Purchased services - taxes	15,655	-	-
Contracted services	257,042	-	-
Materials and supplies	71,530	-	-
Professional development	42,172	-	-
Travel	9,280	-	-
Capital outlay - nondepreciable	7,699	-	-
Total improvement of instruction	606,239	-	-

CHARYL STOCKWELL ACADEMY

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	General	Debt Service	Capital Projects
Educational Media			
Purchased services - salaries	17,894	-	-
Purchased services - benefits	2,309	-	-
Purchased services - taxes	159	-	-
Library books	6,418	-	-
Total educational media	26,780	-	-
General Administration			
Professional fees	6,140	-	-
Miscellaneous	1,883	-	-
Total general administration	8,023	-	-
Executive Administration			
Management fees	205,315	-	-
University oversight	153,986	-	-
Total executive administration	359,301	-	-
Building Administration			
Purchased services - salaries	207,510	-	-
Purchased services - benefits	63,244	-	-
Purchased services - payroll taxes	20,596	-	-
Advertising	17,787	-	-
Dues and fees	1,959	-	-
Postage and delivery	9,316	-	-
Supplies and materials	13,238	-	-
Workshops and conferences	2,615	-	-
Total building administration	336,265	-	-
Business Support Services			
Bank fees	6,203	2,356	-
Liability insurance	2,812	-	-
Management fees	205,315	-	-
Total business support services	214,330	2,356	-

CHARYL STOCKWELL ACADEMY

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	General	Debt Service	Capital Projects
Operations and Maintenance			
Purchased services - salaries	87,392	-	-
Purchased services - benefits	35,788	-	-
Purchased services - payroll taxes	8,750	-	-
Building insurance	24,617	-	-
Facility management	102,658	-	-
Repair and maintenance	115,991	-	-
Supplies and materials	14,960	-	-
Telephone	16,229	-	-
Utilities	161,598	-	-
Capital outlay-nondepreciable	73,421	-	2,750
Total operations and maintenance	641,404	-	2,750
Data Processing Services			
Data processing services	31,271	-	-
Miscellaneous	4,031	-	-
Total data processing services	35,302	-	-
Custody and Care of Children			
Purchased services - salaries	165,566	-	-
Purchased services - benefits	6,746	-	-
Purchased services - payroll taxes	1,512	-	-
Supplies and materials	43,306	-	-
Total custody and care of children	217,130	-	-
Capital Outlay			
Elementary school	22,094	-	-
Data processing services	30,545	-	-
Total capital outlay	52,639	-	-
Debt Principal and Interest	295,574	1,012,358	-
Total governmental fund expenditures	\$ 5,485,178	\$ 1,014,714	\$ 2,750

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Independent Auditor's Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

**To the Board of Directors
of Charyl Stockwell Academy**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charyl Stockwell Academy as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charyl Stockwell Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charyl Stockwell Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Charyl Stockwell Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Charyl Stockwell Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, the Michigan Department of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.


Croskey, Lanni & Company, P.C.

September 15, 2008
Rochester, Michigan

Charyl Stockwell Academy

Howell, Michigan

**Federal Awards
Supplemental Information**

June 30, 2008

CROSKEY, LANNI & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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Independent Auditor's Report

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton E. Powell Jr., CPA

**To the Board of Directors
of Charyl Stockwell Academy**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charyl Stockwell Academy, as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Charyl Stockwell Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Charyl Stockwell Academy as of June 30, 2008, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charyl Stockwell Academy's basic financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information contained in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charyl Stockwell Academy's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements of Charyl Stockwell Academy. The combining and individual non major fund financial statements and the schedule of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2008 on our consideration of Charyl Stockwell Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


Croskey, Lanni & Company, P.C.

September 15, 2008
Rochester, Michigan

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton E. Powell Jr., CPA

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

**To the Board of Directors
of Charyl Stockwell Academy**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charyl Stockwell Academy as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charyl Stockwell Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charyl Stockwell Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Charyl Stockwell Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

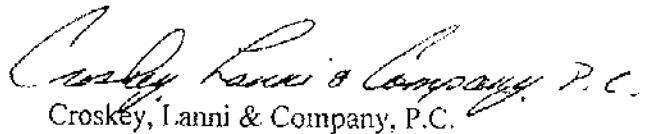
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Charyl Stockwell Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, the Michigan Department of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.


Croskey, Lanni & Company, P.C.

September 15, 2008
Rochester, Michigan

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton E. Powell Jr., CPA

Report on Compliance with Requirements
Applicable to each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors
of Charyl Stockwell Academy

Compliance

We have audited the compliance of Charyl Stockwell Academy with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. Charyl Stockwell Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Charyl Stockwell Academy's management. Our responsibility is to express an opinion on Charyl Stockwell Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Charyl Stockwell Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Charyl Stockwell Academy's compliance with those requirements.

In our opinion, Charyl Stockwell Academy complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 08-01.

Internal Control Over Compliance

The management of Charyl Stockwell Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Charyl Stockwell Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Charyl Stockwell Academy's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-01 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Charyl Stockwell Academy's response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Charyl Stockwell Academy's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Croskey, Lanni & Company, P.C.

September 15, 2008
Rochester, Michigan

CHARYL STOCKWELL ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
US Department of Education								
Character Education Q215S060020 R215S020205	84.2155	\$ 150,892 477,637	\$ -	\$ -	\$ -	\$ 150,892 461,956	\$ 150,892 461,956	\$ -
Total US Department of Education		628,529	-	-	-	612,848	612,848	-
US Department of Education Passed through the Livingston ISD								
Safe & Drug Free 07/08	84.186	894	-	-	-	894	894	-
US Department of Education Passed through the Michigan Department of Education								
Service Provider Self Review 080440 0708	84.027	4,000	-	-	-	4,000	4,000	-
Title V 080250 0708	84.298	136	-	-	-	136	136	-
Improving Teacher Quality 080320 0708	84.367	7,254	-	-	-	7,254	7,254	-
Total US Department of Education Passed through from the Michigan Department of Education		11,390	-	-	-	11,390	11,390	-
Total federal awards		\$ 640,813	\$ -	\$ -	\$ -	\$ 625,132	\$ 625,132	\$ -

CHARYL STOCKWELL ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Charyl Stockwell Academy and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

NOTE 3 - Grant Section Auditor's Report

Management has utilized Form R-7120 in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

NOTE 4 - Reconciliation of Basic Financial Statements

Revenue from federal sources - As reported on financial statements (includes all funds):

General Fund	<u>\$ 625,132</u>
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CHARYL STOCKWELL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

A. Summary of the auditor's results:

1. An unqualified opinion on the Academy's financial statements was issued.
2. No significant deficiencies in the internal control were disclosed by the audit of the financial statements.
3. The audit did not disclose any noncompliance which is material to the financial statements.
4. One significant deficiency in the internal control over major programs was disclosed by the audit. The deficiency is not reported as a material weakness.
5. An unqualified opinion on the Academy's compliance for major programs was issued.
6. The audit disclosed one finding which was required to be reported.
7. The Academy's major federal program is: Character Education Grant (CFDA 84.215S).
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The Academy has met all of the conditions required for qualification as a high-risk auditee.

B. There are no findings relating to the financial statements which are required to be reported in accordance with GAGAS.

C. There were audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133.

CHARYL STOCKWELL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2008

Reference Number	Findings
08-01	<p>Program Name - CFDA # 84.215S: Character Education</p> <p>Pass-Through Entity - Direct from US Department of Education</p> <p>Finding Type - Significant deficiency and noncompliance</p> <p>Criteria - In accordance with OMB Circular A-87, Attachment B details various allowable and unallowable costs. Attachment B is very specific as to what types of costs are unallowed for federal grant purposes.</p> <p>Condition - The Academy had various costs charged to its major program that were unallowable for federal grant purposes.</p> <p>Questioned - No known or likely greater than \$10,000.</p> <p>Cause / Effect - Federal funds are required to be spent in accordance with proper cost principles so as to properly benefit the intended recipients of the funding.</p> <p>Recommendation - The Academy should utilize general operating resources to replace the costs that were in direct violation of federal cost principles. The Academy should also implement additional controls to make sure that these cost principles are adhered to in the future. This includes training of staff in order to increase understanding of allowable and unallowable costs and appointing a supervisor who has an intimate working knowledge of the same.</p> <p>Auditee Response - The incorrectly utilized funds will be immediately replaced with general operating resources. In addition a review of all expenditures and costs for the grant are being performed by an independent third party and new internal controls are being implemented to ensure that all cost principles are adhered to in the future.</p>



Croskey, Lanni & Company, PC

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David M. Croskey, CPA

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Carolyn A. Jones, CPA

Clifton E. Powell Jr., CPA

October 29, 2008

Charyl Stockwell Academy
9758 East Highland Road
Howell, MI 48843

To whom it may concern:

Please be advised that there was not a separate management comment letter that was provided in connection with the audit of the financial statements for the year ended June 30, 2008.

Very truly yours,

Croskey, Lanni & Company, P.C.

Patrick M. Sweeney, C.P.A.